Job Losses
By Size of Establishment

A January Newsweek magazine article underlining the current recession stated, "…the small- and medium-size firms that generate the majority of new jobs at home have been hurt most by the financial crisis as their lines of credit have dried up." No source was given to support this claim, yet can data be found in Utah that might support this view? The answer appears to be yes.

Establishments are categorized by their magnitude of employment. What constitutes a small or medium size business as cited in the Newsweek article is probably based upon the definition established by the U.S. Small Business Administration. That advocacy organization identifies small businesses as those who employ fewer than 500 workers.

Utah's employers can also be quantified into employment-size categories. March 2009 data is profiled, both because a yearly Utah Department of Workforce Services publication highlights the March employment size by establishment, and also March 2009 is roughly six months into the worst of the employment contraction—a contraction that intensified after September 2008. Therefore, a comparison of March 2009 data against March 2008 captures enough of the eventual employment decline to offer a representative profile of employment losses according to size of business.

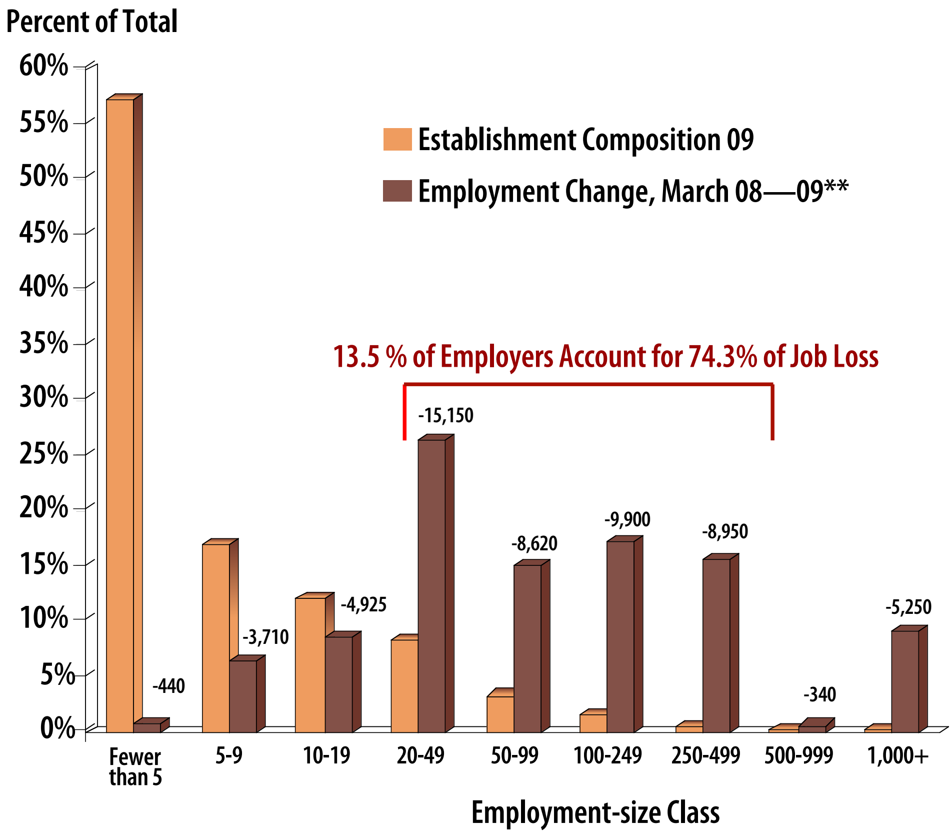
Between March 2008 and March 2009, Utah's employers shed over 57,000 jobs. The accompanying graph reveals that it truly is the small- to medium-size firms that have cast off the bulk of these jobs. Only 14 percent of all the state's employers account for 75 percent of those 57,000 jobs lost. The largest job-loss impact is within establishments with an employment size of 20 to 499, with the largest single group being the 20-to-49 employee range.

The Newsweek article said the drying up of lines of credit has impacted these sizes of firms the most. Economists here at Workforce Services agree with that assessment. The Utah size-of-establishment profile was actually reviewed by the Department's economists several weeks before the Newsweek article came out. When quizzed as to why the Utah employment loss profile looked like it did, the consensus answer included the credit restrictions—the same conclusion that the Newsweek article presents.

Very small businesses (fewer than 10 employees) may have their own way of financing operations that don't extensively reach into the credit community for help. At the other end of the spectrum, the largest firms have the internal resources and wherewithal to run and finance their operations without outside credit. Establishments in between are often in a position to need credit lines to meet payrolls, to bridge the seasonal cycles often associated with product sales, or to expand product lines and grow to a larger size. For these and similar reasons, these size establishments are vulnerable to the nuances of the credit markets, which is why their employment levels were the most negatively impacted.

Utah Employment By Establishment Size

Percentage of 57,300 Year-Over Job Loss
by Employment-Size Class • 2008—2009*



Source: Utah Department of Workforce Services. March Employment Comparison.
*** Employment Change percentages are actually negative percentages.*
Note: Employment losses have been rounded.

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